



Getty Mining Company

P. O. Box 7900, Salt Lake City, Utah 84107 • Telephone (801) 263-3850

JIM

DEC 15 1982

December 13, 1982

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DIVISION OF
OIL, GAS & MINING

Mr. James Smith
Coordinator of Mined Land Development
Division of Oil, Gas and Mining
Room 4241, State Office Building
Salt Lake City, Utah 84114

RE: ACT/045/013

Dear Jim:

In response to our meeting on December 2, 1982, I am sending this information for your consideration. I found the meeting to be very useful and productive. I have incorporated Pam's recommendations into our surety estimate for Mercur, which has the effect of increasing the estimate by approximately \$288,000 in today's dollars. One item which is still undecided is the issue of utilizing salvage value to offset demolition costs.

I was surprized by the staff's position that salvage value could not be considered in developing a bond estimate. I was further surprized that this issue was not germain for discussion with the staff because of a supposed board position not allowing salvage value to be considered in bond estimation. It is my understanding that this is a decided board policy that will need to be argued by us at a board meeting for Getty to proceed with bond estimation.

I am sorry to say that we at Getty were never informed of this board policy in the past. In fact, we find that no other Utah mine operator or the Utah Mining Association is aware of such a policy. We are quite concerned that the board would take this position having such broad and expensive implications without allowing the regulated industry to comment. If the board did in fact assume this position, we would defer to the Utah Mining Association any public agreements at a board hearing.

If the present status on this issue is not strictly dictated by board policy, we would like to discuss our case further with the staff. We have current documentation that shows the following:

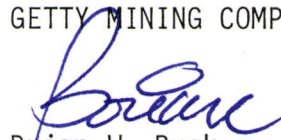
- 1) Standard financial analysis of any mining operation which includes as a basic premise that mining equipment and plant facilities will have a real worth at the time of cessation of operations.

- 2) The liquidation value of a mine operation's capital assets provides real property equity which can be used upon sale of the property.
- 3) Any plant liquidation job will include the scrap and salvage value as credit against demolition costs. In fact, the State of Utah practices this even when remodeling existing facilities.
- 4) Recent history in the mining industry shows that mining equipment and plant facilities that are less than 20-years old have significant scrap and salvage value. This value, if optimized by judicious demolition and marketing, commonly equals or exceeds the cost of demolition.
- 5) There is a well established nationwide industry servicing the mining industry that aggressively competes for plant liquidation jobs. The mine owner, therefore, has the opportunity to maximize the salvage value of his property and this capability would certainly apply to the State with adequate bond monitoring.

We hope that the Division staff will recognize that we are not requesting any extra ordinary treatment. We would appreciate the opportunity to work toward an equitable settlement to this issue without board involvement and we suppose that this would also be the desire of the staff.

Sincerely,

GETTY MINING COMPANY



Brian W. Buck
Environmental Coordinator

BWB/nb

cc: R. L. Hautala
F. D. Wicks
J. E. Berg III
G. Eurick
Ron Daniels, Div. Oil, Gas & Mining
Cleon Feight, Div. Oil, Gas & Mining